2005 Withholding Reconciliation Tax Return

Obtain additional information or assistance, and tax forms and instructions, by contacting one of the numbers listed below:

Phoenix (602) 255-2060 From area codes 520 and 928, toll-free (800) 843-7196 Form Orders (602) 542-4260 Hearing impaired TDD user Phoenix (602) 542-4021 From area codes 520 and 928, toll-free (800) 397-0256 Recorded Tax Information Phoenix (602) 542-1991 From area codes 520 and 928, toll-free (800) 845-8192

Visit our Web site at: www.azdor.gov

Election not to withhold in December now available to employers. Senate Bill 1238 (Chapter 311), as enacted by the legislature and signed by Governor Napolitano, amends Arizona's withholding statutes to provide a voluntary election by employers to not withhold Arizona taxes from employee compensation paid during the month of December. For 2005, this election must be made by October 1; for any subsequent year, the election must be made by July 1 of that year.

General Instructions

Who Must File Form A1-R

Employers that file the Form A1-QRT must file the Form A1-R, the annual withholding reconciliation tax return, to perform the reconciliation required by ARS § 43-412. Form A1-R is also the Arizona transmittal return for federal Forms W-2, W-2G, W-2c, and/or 1099-R if those forms include Arizona withholding. These forms are required to be filed with the Form A1-R as an integral part of the reconciliation required by the statute.

NOTE: Employers that file Form A1-APR, the annual payment withholding tax return, will not file the Form A1-R. The Form A1-APR contains the reconciliation required by ARS § 43-412.

Filing Original Returns

File this return only on a calendar year basis, i.e., for the period January 1, 2005, through December 31, 2005. The return is due by February 28 of the year following the calendar year for which payments were made. If the employer has an Arizona extension, file the return by the extended due date. Attach a copy of the extension to the front of the return. Send the return to the Arizona Department of Revenue, PO Box 29009, Phoenix AZ 85038-9009.

Extension of Time to File a Return

An employer may apply for an extension of time to file Form A1-R upon a showing of good cause. The employer must file the extension request (Form A1-R EXT) as soon as the employer knows that an extension of time to file is necessary. The extension request must be mailed on or before February 28th. An extension cannot be granted if the extension request is

filed after the due date of the Form A1-R. An extension of time to file the Form A1-R is also an extension of time to file the federal forms W-2, W-2c, W-2G and 1099R associated with that return.

Filing Amended Returns

If this is an amended Form A1-R, check the amended return box. Enter the amended numbers in all areas of the form, and explain why an amended return is being filed in the space provided. Include amended federal Forms W-2, W-2c, W-2G, and/or 1099-R with the amended return.

Penalties

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a \$500 penalty.

Submitting Forms W-2, W-2c, W-2G, and 1099-R

The department will accept federal Forms W-2, W-2c, W-2G or 1099-R submitted by either method listed below:

 A paper copy of each federal Form W-2, W-2c, W-2G, and 1099-R can be submitted with the Form A1-R. Mail the Form A1-R and the paper copies of the federal forms to:

Arizona Department of Revenue PO Box 29009 Phoenix AZ 85038-9009

 A tape cartridge or diskette with the required information can be sent to:

Arizona Department of Revenue Information Technology Division Tape Librarian 1600 W Monroe Phoenix AZ 85007

Refer to Publication 701, *Magnetic Media Reporting*, for information regarding magnetic media specifications for reporting federal forms W-2, W-2c, W-2G, and 1099-R.

Specific Instructions

Type or print the required information in the name and address boxes on the top of page 1. If this information is already printed on the form, check the information and make changes as necessary. Check the boxes to indicate whether this return is an amended return, and whether your address is changed.

Enter the employer identification number where indicated in the upper right hand corner of the page. Complete lines 1 through 4.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number, preparer identification number, or the employer identification number of the business.

Paid tax return preparers that fail to include their TIN may be subject to a penalty.

Annual Summary of Amounts Reported on 2005 Arizona Forms A1-QRT

Lines 5 through 9 -

Enter the amount of Arizona tax reported on the A1-QRT for each quarter and total the amounts on line 9.

Underpayment of Tax for 2005

If you discover that you have an underpayment of tax for 2005, submit an amended Form A1-QRT for each underpaid quarter. Remit a separate payment with each amended Form A1-QRT.

Enter your employer identification number on your check. The department will calculate the amount of interest and any applicable penalties and send a billing notice after the amended return is processed.

Overpayment of Tax for 2005

If you discover that you have an overpayment of tax for 2005, submit an amended Form A1-QRT for each overpaid quarter. After the amended return is processed and payments are confirmed, a credit notice will be generated. The department will apply the credit to any existing liabilities. **Do not use a credit until a credit notice has been received.**